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S.A.

WILLOUGHBY & HOEFER, P.A.

ATTORNEYS & COUNSELORS AT LAW

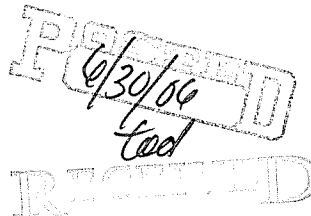
930 RICHLAND STREET

P.O. BOX 8416

COLUMBIA, SOUTH CAROLINA 29202-8416

MITCHELL M. WILLOUGHBY
JOHN M.S. HOEFER
ELIZABETH ZECK*
RANDOLPH R. LOWELL
K. CHAD BURGESS
NOAH M. HICKS II**
M. McMULLEN TAYLOR
BENJAMIN P. MUSTIAN

June 29, 2006



AREA CODE 803
TELEPHONE 252-3300
TELECOPIER 256-8062

*ALSO ADMITTED IN TX
**ALSO ADMITTED IN VA

VIA HAND-DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

JUN 29 2006
PSC SC
DOCKETING DEPT.

2006-171-WS

RECEIVED
JUN 29 2006
PSC SC
DOCKETING DEPT.

RE: Application of Carolina Water Service, Inc. for Approval of the Transfer of its Water and Sewer Systems and Territory Serving the Kings Grant, Plantation Ridge, and Teal on the Ashley Subdivisions in Dorchester County to the County of Dorchester

Dear Mr. Terreni:

Enclosed for filing are the original and ten (10) copies of the Application of Carolina Water Service, Inc., in the above-referenced matter. Also enclosed you will find the Applicant's proposed notice of filing and hearing. By copy of this letter, I am serving a copy of these documents upon the Executive Director of the Office of Regulatory Staff and enclose a Certificate of Service to that effect.

I would appreciate your acknowledging receipt of this Application and Certificate by date-stamping the extra copies that are enclosed and returning it to me via our courier.

If you have any questions or if you need any additional information, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.

John M.S. Hoefer

JMSH/twb

Enclosures

cc: Honorable C. Dukes Scott
John G. Frampton, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2006-171-WS

In Re:)
)
Application of Carolina Water)
Service, Inc. for Approval of the)
Transfer of its Water and Sewer)
Systems and Territory Serving the)
Kings Grant, Plantation Ridge,)
and Teal on the Ashley)
Subdivisions in Dorchester)
County to the County of Dorchester)
_____)

APPLICATION

Carolina Water Service, Inc. ("Applicant" or "CWS"), pursuant to S.C. Code Ann. § 58-5-210 (1976) and 26 S.C. Code Ann. Regs. RR. 103-504 and 103-704 (Supp. 2005), and other applicable rules and regulations of the Public Service Commission of South Carolina (the "Commission"), hereby applies for approval of the transfer to the County of Dorchester ("County") of the Applicant's sewer utility systems and territory serving the Kings Grant ("Kings Grant"), Plantation Ridge ("Plantation Ridge") and the Teal on the Ashley ("Teal") subdivisions and its water utility system and territory serving the Teal subdivision in Dorchester County. In support of its Application, Applicant would respectfully show unto this Honorable Commission as follows:

1. CWS is a Delaware corporation, which is authorized to do business in the State of South Carolina and is certificated to provide water and sewer services to the public for compensation in certain portions of South Carolina, including sewer service in Kings Grant, Plantation Ridge and Teal and water service in Teal, all of which are situated in Dorchester

County.¹ CWS has no other customers in Dorchester County. CWS's current schedule of rates and charges was approved in Commission Order No. 2005-328, dated June 22, 2005, and rates and charges implemented under bond in accordance with Order No. 2005-465 dated October 17, 2005, both issued in Docket No. 2004-357-W/S. CWS's operations are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-5-10, *et. seq.* (1976, as amended).²

2. The County is a political subdivision as provided for under S.C. Const. art. VIII, §1. Among its powers and functions, it is authorized to provide water and sewage service See, *e.g.*, S.C. Code Ann. §§ 4-9-30 (5) (Supp. 2005) and 44-55-1410 (1976). The County owns and operates facilities for, and currently provides, water and sewer service to certain portions of Dorchester County.

3. All communications or inquiries regarding this Application should be directed as set forth below:

APPLICANT'S REPRESENTATIVE:

Mr. Steven M. Lubertoizzi
Chief Regulatory Officer
Utilities, Inc.
2335 Sanders Road
Northbrook, Illinois 60062-6196

¹ In addition to Dorchester County, CWS is also authorized to provide water and/or sewer service in portions of Aiken, Beaufort, Cherokee, Georgetown, Lexington, Orangeburg, Richland, Sumter, Williamsburg and York counties.

² As the Commission is aware, CWS currently has pending an application for rate relief in Docket No. 2006-92-WS. If the within Application is approved, the request for rate relief as to CWS's customers in Dorchester County will be obviated.

LEGAL COUNSEL:

John M.S. Hoefer, Esquire
Benjamin P. Mustian, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, South Carolina 29202-8416

4. CWS is currently operating its wastewater treatment facility (“WWTF”) in Teal pursuant to a national pollutant elimination discharge system (“NPDES”) permit issued by the South Carolina Department of Health and Environmental Control (“DHEC”) which has expired, but which DHEC has allowed to remain in effect pending completion of certain plant upgrades required as a result of the total monitored discharge limits (“TMDL”) study of the Ashley River.³ The upgrades to the Teal WWTF are estimated to require \$350,000 in additional capital expenditures. CWS’s NPDES permit for the Kings Grant WWTF, which serves both Kings Grant and Plantation Ridge, expires in September, 2006, and DHEC has indicated that plant upgrades for that facility will be required as a result of the TMDL study. The upgrades to the Kings Grant WWTF are estimated to require \$1,250,000 in capital expenditures. The cost of the upgrades to the Kings Grant and Teal WWTFs would be passed along to customers in rates. The Kings Grant and Teal WWTFs have current discharge capacities of 238,000 GPD and 30,000 GPD, respectively. By contrast, the County operates a 4 million gallon per day (MGD) WWTF and has the capacity available to absorb the wastewater flow from Kings Grant, Plantation Ridge and Teal currently treated by CWS. As already noted, the County currently provides water service to portions of Dorchester County. CWS currently serves only thirty four (34) water customers in Teal.

³A TMDL study, in part, determines the required treatment levels that dischargers into receiving waters, including utility dischargers such as CWS, must meet.

5. In light of the foregoing circumstances, CWS and the County have negotiated a contract (“the Agreement”) whereby the County will, subject to the approval of this Commission and DHEC, acquire all of the sewer utility system facilities and territory presently held by CWS in Kings Grant, Plantation Ridge and Teal and all of the water utility system facilities and territory presently held by CWS in Teal. A copy of the Agreement is attached hereto and incorporated herein by reference as Exhibit “A”.

6. If the within Application is granted, all of CWS’s Dorchester County water and sewer customers will become customers of the County and CWS will no longer have an authorized service territory in Dorchester County. CWS’s customers in Kings Grant, Plantation Ridge and Teal will initially be charged for water and sewer service in accordance with the County’s presently approved rate schedule, a copy of which is attached hereto and incorporated herein by reference as Exhibit “B”. The application of the County’s current sewer rates to CWS’s Kings Grant, Plantation Ridge and Teal customers and the application of the County’s current water rates to CWS’s Teal customers (based upon the average monthly water consumption by said customers of six thousand and three (6,003) gallons measured over the twelve (12) month period commencing with May of 2005 and ending with April of 2006) will result in a decrease in monthly service charges to these customers. Attached hereto and incorporated herein by reference as Exhibit “C” is a comparison of the currently approved rates of CWS⁴ and the current rates of the County as applied to these customers.

7. CWS submits that the proposed transfer is in the public interest. The CWS sewer customers in Kings Grant, Plantation Ridge and Teal will experience a decrease in rates as

⁴ For purposes of this comparison, CWS is utilizing the rates approved by the Commission in Order No. 2005-328, June 22, 2005, Docket No. 2004-357-WS and not the rates the Company has placed into effect under bond.

shown on Exhibit “C” and will avoid higher rates which would result from upgrades to the CWS WWTFs. Additionally, two discharges into the Ashley River will be eliminated. Further, Teal water customers will experience a reduction in rates as shown on Exhibit “C”.

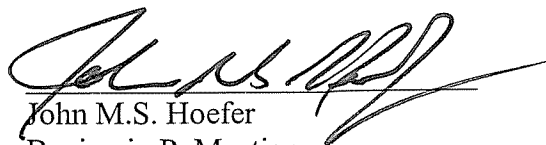
8. Closing of the Agreement is expressly contingent, among other things, upon Applicant obtaining the approval of the Commission to transfer its aforementioned water and sewer facilities in Dorchester County and territory to the County. No transfer of any assets has occurred, nor shall any such transfer occur, unless and until such approval is obtained.

9. Based upon the foregoing, Applicant submits that it is in the best interest of the customers within CWS’s Dorchester County service areas and the public that this Commission approve the transfer described hereinabove.

WHEREFORE, having fully set forth its Application, CWS respectfully requests that the Commission:

- a. Waive the requirement for hearing on this Application after notice if no intervention arises therefrom;
- b. Approve the transfer to the County of the sewer utility systems and territory presently held by Applicant in Kings Grant, Plantation Ridge and Teal and the water utility system and territory presently held by Applicant in Teal; and
- c. Grant Applicant such other and further relief as is just and proper.

[SIGNATURE PAGE FOLLOWS]



John M.S. Hoefer

Benjamin P. Mustian

Willoughby & Hoefer, PA

Post Office Box 8416

Columbia, South Carolina 29202-8416

803-252-3300

Attorneys for Applicant

Columbia, South Carolina
This 29th day of June, 2006.

Counsel of Record for
the County of Dorchester:
John G. Frampton, Esquire
Dorchester County Attorney
Chellis & Frampton, P.A.
Post Office Box 430
Summerville, South Carolina 29484
843-871-7665

STATE OF SOUTH CAROLINA)
) ASSET PURCHASE AGREEMENT
COUNTY OF DORCHESTER)

THIS AGREEMENT made and entered into this _____ day of _____, 2006, by and between **Carolina Water Service, Inc.**, (hereinafter referred to as "CAROLINA") and the **COUNTY OF DORCHESTER** (hereinafter referred to as the "COUNTY").

SECTION ONE

BACKGROUND OF AGREEMENT

1.1 CAROLINA is a privately owned, public utility which provides wastewater service to primarily residential customers located in King's Grant Subdivision, Plantation Ridge Subdivision and Teal on the Ashley Subdivision and provides potable water to customers in Teal on the Ashley Subdivision.

1.2 The COUNTY is a body politic and corporate, is authorized to provide wastewater collection, transmission and treatment services, as well as to provide potable water and possesses the power of eminent domain under South Carolina law.

1.3 The COUNTY desires to acquire from CAROLINA, and CAROLINA has agreed to sell to the COUNTY, the operating assets, equipment, land, easements and facilities (hereinafter referred to as the "FACILITIES") of the King's Grant, Plantation Ridge and Teal on the Ashley wastewater systems, as well as the potable water system of Teal on the Ashley as more specifically set forth hereinafter in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants of the parties herein contained and other good and valuable consideration passing between the parties, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A handwritten signature in black ink, appearing to be "JLW", is located in the bottom right corner of the page.

SECTION TWO

AGREEMENT TO PURCHASE AND SELL THE FACILITIES

2.1 At the Closing (as hereinafter defined), the COUNTY agrees to purchase the FACILITIES from CAROLINA upon the terms and conditions hereinafter set forth and CAROLINA, upon the same terms and conditions, agrees to sell the FACILITIES to the COUNTY.

2.2 The amount of the purchase price (the "Purchase Price") for the FACILITIES is One Million Seven Hundred Ninety-One Thousand Seven Hundred and 00/100 (\$1,791,700.00) dollars.

2.3 The residential equivalent customers served by the Facilities are listed on Exhibit A attached hereto and incorporated herein by reference. The COUNTY agrees that it will not disclose Exhibit A or its contents to third parties and that same is protected by the provisions of S.C. Code Ann. § 30-4-40. The parties further agree that, for purpose of any applications which may be required under Sections 3.1(f), 5.1(e), and 8.1 below, Exhibit A will be substituted with summary information in order to protect the privacy of customers.

2.4 The FACILITIES, as described in **EXHIBIT B**, include substantially all of the sewer utility assets serving King's Grant Subdivision, Plantation Ridge Subdivision, and Teal on the Ashley Subdivision, and potable water utility assets serving Teal on the Ashley Subdivision, together with all additions between the date hereof and the Closing.

SECTION THREE

REPRESENTATIONS AND WARRANTIES OF CAROLINA

3.1 CAROLINA hereby represents and warrants to the COUNTY that:



(a) CAROLINA is a corporation duly organized, and validly existing under the laws of the state of Delaware, and is in good standing under the laws of the State of South Carolina and had all requisite power and authority to own and operate the FACILITIES as now being conducted.

(b) The description of the FACILITIES in **EXHIBIT B** is a true and correct description of the FACILITIES of CAROLINA to be acquired by the COUNTY pursuant to this Agreement.

(c) Except as listed in **EXHIBIT C**, there are no pending or, to the knowledge of CAROLINA, threatened actions at law or suits in equity of any nature, including, but not limited to administrative proceedings or any actions of any nature involving the FACILITIES or CAROLINA, any pending or threatened actions or proceedings before the South Carolina Public Service Commission, any pending or threatened actions or proceedings before the South Carolina Department of Health and Environmental Control, or any other governmental agency involving the FACILITIES or CAROLINA.

(d) There are no contracts or obligations of a material nature relating to the FACILITIES or CAROLINA and any other party.

(e) No representation or warranty by CAROLINA in this Agreement or any statement or certificate furnished or to be furnished to the COUNTY pursuant hereto contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained thereon or therein not misleading.

(f) The execution, delivery and performance of the Agreement by CAROLINA and the consummation of the transaction contemplated hereby have been duly authorized by all requisite corporate actions as required under applicable law and no

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further authorization will be necessary on the part of CAROLINA for the execution, delivery, performance or consummation of this Agreement. CAROLINA has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby by CAROLINA will not, with or without the giving of any notice and/or the passage of time, violate any provision of law applicable to CAROLINA. No approval of any governmental authority or administrative agency is necessary to authorize the execution of this Agreement or the consummation of the transactions contemplated hereby, save and except any consent or authorization by the South Carolina Public Service Commission and/or the South Carolina Department of Health and Environmental Control. This Agreement is a valid and binding Agreement upon CAROLINA, enforceable in accordance with its terms.

(g) To the best of CAROLINA's knowledge, it has good and marketable title to the FACILITIES free and clear of any third-party claims. The FACILITIES are free and clear of any encumbrances, liens, and/or security agreements, and there is no outstanding indebtedness to any third-party which encumbers the FACILITIES or in any manner constitutes a lien against the FACILITIES.

(h) CAROLINA warrants that through the date of this Agreement, as well as through the date of Closing, it has and will operate the FACILITIES in a routine manner and to the best of its ability.

(i) The consummation of this Agreement will not render CAROLINA insolvent.

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(j) There are no judgments, liens, actions, mortgages, encumbrances, or proceedings pending or threatened against CAROLINA or the FACILITIES.

(k) To the best of CAROLINA's knowledge and in all material respects, it is not in default under any commitments, contracts, agreements, leases, or other documents, to which it is a party, and no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute an event of default thereunder.

(l) To the best of CAROLINA's knowledge, the list of residential equivalent customers with their current addresses which is attached hereto and incorporated herein by reference as **EXHIBIT A** is true and complete. CAROLINA agrees to separately identify to COUNTY any customer listed thereon who is presently more than thirty (30) days delinquent; provided, however, that at and the date of closing as provided for hereinbelow, any delinquent accounts shall be the sole property and responsibility of CAROLINA.

(m) To the best of CAROLINA's knowledge, it has filed all business related tax documents required to be filed as of the Closing date and has paid any amounts due thereunder, including, without limitation, sales, labor, taxes, business or license fees required by any local, state, or federal law, and all tax obligations in connection therewith, due as of the Closing date have been paid in full.

(n) To the best of CAROLINA's knowledge, it has complied with all laws, rules, and regulations related to the operation of the FACILITIES. To the extent necessary to give effect to the transfer contemplated herein, and allowable and permissible by law, CAROLINA will assign to the COUNTY any permits, licenses, or

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authorizations issued by any local, state, or federal authority, for use until such time as the COUNTY may obtain any necessary approvals to operate the FACILITIES itself.

SECTION FOUR

REPRESENTATIONS AND WARRANTIES OF THE COUNTY

4.1 The COUNTY hereby represents and warrants to CAROLINA that:

(a) The COUNTY is a body politic and corporate and a political subdivision of the State of South Carolina. As of the date of the execution of this Agreement and continuing through Closing, there are no pending, or to the knowledge of the COUNTY, threatened actions at law or suits in equity of any nature involving this Agreement or the transactions contemplated herein.

(b) No representation or warranty by the COUNTY in this Agreement or any statement or certificate to be furnished by the COUNTY pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

(c) Upon conveyance and acceptance of the FACILITIES, the COUNTY will become the sole owner thereof and will assume all responsibility for the operation and maintenance of the FACILITIES.

(d) The COUNTY has all requisite power and authority to operate the FACILITIES and to carry on their operation as now being conducted.

(e) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by the COUNTY will not, with or without the giving of notice and/or the passage of time, violate any provision of law applicable to the COUNTY. No approval of any governmental authority or

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administrative agency is necessary to authorize the execution of this Agreement by the COUNTY or the consummation of the transactions contemplated hereby, save and except any consent or authorization required by the South Carolina Public Service Commission and/or the South Carolina Department of Health and Environmental Control. This Agreement is a valid and binding Agreement of the COUNTY and enforceable in accordance with its terms.

(f) The COUNTY shall obtain approval from all necessary governmental entities or administrative agencies as necessary to authorize the COUNTY to operate the FACILITIES.

SECTION FIVE

CLOSING AND PURCHASE

5.1 The Closing referred to herein shall take place on or before the sixtieth day after the execution of this Agreement by both the COUNTY and CAROLINA, or within ten days after all approvals required under this Agreement have been obtained, whichever is later; provided, however, that should the day set for closing fall upon a weekend or a legal holiday, the Closing shall take place on the first business day following such weekend or holiday at the offices of Chellis & Frampton, P.A., located in Summerville, South Carolina, or at such other place, and at such time, as the COUNTY and CAROLINA may agree.

5.2 CAROLINA will transfer the FACILITIES to the COUNTY free from all liens and encumbrances.

5.3 At the Closing, CAROLINA will, upon due performance by the COUNTY of its obligations under this Agreement, deliver to the COUNTY:

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(a) Such good and sufficient bills of sale, deeds, assignments, and other sufficient instruments of sale, transfer and conveyance, in form and substance reasonably satisfactory to the COUNTY's counsel, as shall be required to vest in the COUNTY of all CAROLINA's right, title, and interest in the FACILITIES.

(b) Any files, documents, agreements, books of account, and customer lists and records pertaining to the sewage collection system and wastewater treatment facilities and potable water system as conducted by CAROLINA in the King's Grant, Plantation Ridge, and Teal on the Ashley Subdivisions.

(c) An opinion of counsel for CAROLINA, dated the date of Closing, in form and substance reasonably satisfactory to the COUNTY, certifying the following:

(i) CAROLINA is duly organized and existing corporation under the laws of the State of Delaware, and is authorized to do business and is in good standing in the State of South Carolina.

(ii) That CAROLINA has the capacity and power to execute the bills of sale, deeds, assignments, and all other instruments of transfer set out in this Agreement.

(iii) That CAROLINA has taken all necessary actions to authorize the execution and delivery of the bills of sale, deeds, assignments, and all other instruments of transfer set out in this Agreement and that the officers signing the instruments are duly authorized to do so.

5.4 At the Closing, the COUNTY will, upon due performance by CAROLINA of its obligations under this Agreement, deliver to CAROLINA:

(a) The Purchase Price for the FACILITIES.

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- (b) A copy of the Council minutes approving this Agreement.
- (c) An opinion of counsel for the COUNTY, dated the date of Closing, in form and substance reasonably satisfactory to CAROLINA, to the effect that this Agreement has been duly authorized by all necessary action on behalf of the COUNTY and constitutes the valid agreement of the COUNTY, enforceable in accordance with its terms.

SECTION SIX

CONDITIONS TO CLOSING

6.1 Conditions to the COUNTY's obligations:

- (a) At the Closing, the FACILITIES will be in good working condition, ordinary wear and tear excepted. The FACILITIES shall be transferred on an "as-is", "where-is" basis, with no warranties attaching to same other than those expressly created by this Agreement and such original manufacturers warranties as and to the extent they are in effect and are capable of transfer.
- (b) CAROLINA will have performed all of the obligations to be performed by it under this Agreement.
- (c) The representations and warranties of CAROLINA contained in this Agreement shall be true and correct in all material respects as though made on the date thereof.
- (d) The South Carolina Department of Health and Environmental Control (DHEC) will have been notified of the transfer.
- (e) If required, the South Carolina Public Service Commission will have authorized the transfer of the FACILITIES from and approved the same.

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6.2 Conditions to CAROLINA's obligations:

(a) At or prior to the Closing, the COUNTY will have satisfied and performed all obligations to be performed by it under this Agreement.

(b) The representations and warranties made by the COUNTY in this Agreement will be true and correct in all material respects as if made on the date hereof.

(d) The South Carolina Department of Health and Environmental Control will have been notified of the transfer.

(e) If required, the South Carolina Public Service Commission will have authorized the transfer of the FACILITIES and approved the same.

SECTION SEVEN

TERMINATION

7.1 This Agreement may be terminated at any time prior to closing:

(a) by the mutual agreement of the COUNTY and CAROLINA; or

(b) By the COUNTY or by CAROLINA, on account of the material breach of any representation or warranty of the other party, or the other party's failure to perform any agreement with respect to matters represented, warranted, or agreed to by such party in this Agreement.

SECTION EIGHT

MISCELLANEOUS

8.1 **Notification to the South Carolina Department of Health and Environmental Control And the South Carolina Public Service Commission.** CAROLINA and the COUNTY will cooperate fully to obtain any required consent and authorization from the

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South Carolina Department of Health and Environmental Control for the transfer of the FACILITIES to the COUNTY and it shall be COUNTY'S responsibility to obtain any approval required by that agency. CAROLINA and the COUNTY will cooperate fully to obtain any required consent and authorization from the South Carolina Public Service Commission for the transfer of the FACILITIES from CAROLINA to the COUNTY and it shall be CAROLINA'S responsibility to obtain any approval required by that agency.

8.2 **Service.** Sewer service and water service will be rendered by the COUNTY to all customers of the FACILITIES after Closing in accordance with the COUNTY's rates, rules, regulations, and conditions of service as may exist at the time of Closing or as may be in effect thereafter.

8.3 **Taxes and Closing Costs.**

(a) All real and personal property taxes for the year 2005 and previous years on the assets of CAROLINA being transferred to the COUNTY pursuant to this Agreement if not already paid shall be paid by CAROLINA, as well as all taxes of any nature on any asset to be transferred pursuant to this Agreement which may be payable or become payable to the South Carolina Department of Revenue or the Federal Government. Because the COUNTY is exempt from ad valorem property taxes, there will be no proration of same.

(b) CAROLINA will be responsible for paying the cost of deed preparation and no other closing costs. The COUNTY will be responsible for paying all other closing costs. The parties agree that no real property transfer tax will be assessable in connection with this transaction in view of the exemption provided for transfers to political subdivisions under S.C. Code Ann. § 12-24-40 and that an affidavit to that

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effect will be submitted to the Register of Deeds by counsel for the COUNTY. The COUNTY and CAROLINA will be solely responsible for their respective attorney's fees.

8.4 **Exhibits.** The Exhibits to this Agreement are a part hereof and are hereby incorporated in full by reference.

8.5 **Survival.** The representations, warranties, and agreements contained in this Agreement shall survive, and continue in effect after Closing. CAROLINA agrees to indemnify the COUNTY, its successors and assigns, and to hold it harmless against any loss, damage, liability, expense, or cost accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of CAROLINA under this Agreement or from any misrepresentation in or material omission from any certificate or other document furnished or to be furnished by CAROLINA to the COUNTY. Likewise, the COUNTY agrees to indemnify the COUNTY, its successors and assigns, and hold it harmless against any loss, damage, liability, expense, or cost accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of CAROLINA under this Agreement or from any misrepresentation or material omission from any certificate or other document furnished or to be furnished to CAROLINA by the COUNTY.

8.6 **Force Majeure.** No party to this Agreement shall be liable to the other party for failure, default, or delay in performing any of its obligations hereunder, if such failure, default, or delay is caused by strikes or other labor problems, by force of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, passage of laws, orders of courts, adoption of rules, ordinances, acts, failure to act, decisions or orders or regulations of any governmental or military agency, office or

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commission, delays in receipt of materials, or any other cause, whether similar or dissimilar in nature, not within the control of the party affected and which, by the exercise of due diligence, such party is unable to prevent or overcome.

8.7 **Assignment.** Neither this Agreement nor any right hereunder may be assigned without the prior written consent of the other party, which shall not be unreasonably withheld. Subject to this condition, this Agreement and all provisions hereof shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

8.8 **Severability.** This Agreement shall be binding upon all parties hereto, and the invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.9 **Notices.** Any notice or delivery required to be made hereunder may be made by mailing a copy thereof addressed to the appropriate party as follows:

If to CAROLINA: Lawrence N. Schumacher
 President
 Utilities, Inc.
 2335 Sanders Road
 Northbrook, Illinois 60062

If to the COUNTY: DORCHESTER COUNTY ADMINISTRATOR
 201 JOHNSTON STREET
 ST. GEORGE, SC 29477

Delivery, when made by registered or certified mail, shall be deemed complete upon mailing.

8.10 **Entire Agreement.** This Agreement and the Exhibits hereto constitute the entire understanding between the parties with respect to the subject matter hereof and supersede all negotiations, prior discussions, and preliminary agreements.

A handwritten signature in black ink, appearing to be 'JLW', is located in the bottom right corner of the page.

8.11 **Governing Law.** This Agreement shall be governed by the laws of the State of South Carolina.

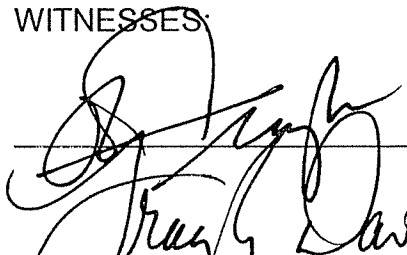
8.12 **Counterparts.** This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed original, but all such counterparts shall together constitute the Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their duly authorized officer, all on the day and year first hereinabove written.

WITNESSES:



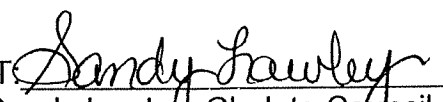
Ray Davis
As to the COUNTY

DORCHESTER COUNTY (SEAL)



Dorchester County Administrator

Date: 6/22/06

ATTEST: 

Sandy Lawley, Clerk to Council

WITNESSES:

As to CAROLINA

CAROLINA WATER SERVICE, INC.

By:
Its:

Date: _____

ATTEST: _____
Secretary

EXHIBIT A

Customer List Summary

As of June 21, 2006, Carolina Water Service, Inc. served seven hundred seventy nine (779) residential customer equivalents located in the King's Grant Subdivision, Plantation Ridge Subdivision and Teal on the Ashley Subdivision. One hundred twenty-six accounts are more than thirty (30) days delinquent with the total delinquent amount as of June 21, 2006, being \$13,042.39.

EXHIBIT B

The Sanitary Sewer Collection and Transmission System and all property used for the collection and transmission of wastewater serving the subdivisions known as King's Grant, Plantation Ridge and Teal on the Ashley, Dorchester County, South Carolina, and the potable water distribution system and all property used for the distribution of potable water serving the subdivision known as Teal on the Ashley, Dorchester County, South Carolina, including all force mains, pump stations, oxidation ponds, collection lines, distribution lines, interceptor lines, outfall lines, gravity lines and mains; all mains and lateral lines on the properties within the confines and exterior boundaries of the aforementioned subdivisions; manholes and connecting lines, hydrants, wells, storage tanks, valves, ties and adaptors; pumps, pumping stations, sites therefore and connecting lines; lift stations, sites therefore and connecting lines; all accessories and appurtenant fixtures to service lines and service equipment; title in and to all permanent and transmissible easements for constructing and maintaining lines; all easements, leases, permits, contract rights and/or rights-of way for service lines, connections and equipment located in or connecting to the aforementioned subdivisions, all apparatus; equipment and maintenance supplies and all other property, equipment rights and privileges as are a part of the said systems, as well as all real estate and transmissible easements as more fully described in the following deeds to CAROLINA, to wit: Deed from Anco Utilities, Inc., recorded in Book 313 at Page 201 in the Register of Deeds Office for Dorchester County and Deed from Oliver Enterprises of Charleston, Inc., to Charleston Water and Sewer Corp., recorded in Book 316 at Page 340 in the Register of Deeds Office for Dorchester County.

It being the intention of CAROLINA to transfer all of its interest in the sewer collection and transmission systems which presently operate in and serve the King's Grant, Plantation Ridge, and Teal on the Ashley Subdivisions, including all customers thereof as well as all of its interest in the potable water distribution system which presently operates in and serves Teal on the Ashley subdivision including all customers thereof.

A handwritten signature in black ink, appearing to be 'J. L. W.', located in the bottom right corner of the page.

EXHIBIT C

Pending or Threatened Actions

None. The County acknowledges that longstanding administrative proceedings by DHEC pertaining to upgrades to or elimination of Carolina's wastewater treatment facilities in Dorchester County do not constitute pending or threatened actions for purposes of this Agreement

A handwritten signature in black ink, appearing to be "JLW", located in the bottom right corner of the page.

STATE OF SOUTH CAROLINA)
)
COUNTY OF DORCHESTER) ASSET PURCHASE AGREEMENT

THIS AGREEMENT made and entered into this _____ day of _____, 2006, by and between **Carolina Water Service, Inc.**, (hereinafter referred to as "CAROLINA") and the **COUNTY OF DORCHESTER** (hereinafter referred to as the "COUNTY").

SECTION ONE

BACKGROUND OF AGREEMENT

1.1 CAROLINA is a privately owned, public utility which provides wastewater service to primarily residential customers located in King's Grant Subdivision, Plantation Ridge Subdivision and Teal on the Ashley Subdivision and provides potable water to customers in Teal on the Ashley Subdivision.

1.2 The COUNTY is a body politic and corporate, is authorized to provide wastewater collection, transmission and treatment services, as well as to provide potable water and possesses the power of eminent domain under South Carolina law.

1.3 The COUNTY desires to acquire from CAROLINA, and CAROLINA has agreed to sell to the COUNTY, the operating assets, equipment, land, easements and facilities (hereinafter referred to as the "FACILITIES") of the King's Grant, Plantation Ridge and Teal on the Ashley wastewater systems, as well as the potable water system of Teal on the Ashley as more specifically set forth hereinafter in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants of the parties herein contained and other good and valuable consideration passing between the parties, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:



SECTION TWO

AGREEMENT TO PURCHASE AND SELL THE FACILITIES

2.1 At the Closing (as hereinafter defined), the COUNTY agrees to purchase the FACILITIES from CAROLINA upon the terms and conditions hereinafter set forth and CAROLINA, upon the same terms and conditions, agrees to sell the FACILITIES to the COUNTY.

2.2 The amount of the purchase price (the "Purchase Price") for the FACILITIES is One Million Seven Hundred Ninety-One Thousand Seven Hundred and 00/100 (\$1,791,700.00) dollars.

2.3 The residential equivalent customers served by the Facilities are listed on Exhibit A attached hereto and incorporated herein by reference. The COUNTY agrees that it will not disclose Exhibit A or its contents to third parties and that same is protected by the provisions of S.C. Code Ann. § 30-4-40. The parties further agree that, for purpose of any applications which may be required under Sections 3.1(f), 5.1(e), and 8.1 below, Exhibit A will be substituted with summary information in order to protect the privacy of customers.

2.4 The FACILITIES, as described in **EXHIBIT B**, include substantially all of the sewer utility assets serving King's Grant Subdivision, Plantation Ridge Subdivision, and Teal on the Ashley Subdivision, and potable water utility assets serving Teal on the Ashley Subdivision, together with all additions between the date hereof and the Closing.

SECTION THREE

REPRESENTATIONS AND WARRANTIES OF CAROLINA

3.1 CAROLINA hereby represents and warrants to the COUNTY that:

(a) CAROLINA is a corporation duly organized, and validly existing under the laws of the state of Delaware, and is in good standing under the laws of the State of South Carolina and had all requisite power and authority to own and operate the FACILITIES as now being conducted.

(b) The description of the FACILITIES in **EXHIBIT B** is a true and correct description of the FACILITIES of CAROLINA to be acquired by the COUNTY pursuant to this Agreement.

(c) Except as listed in **EXHIBIT C**, there are no pending or, to the knowledge of CAROLINA, threatened actions at law or suits in equity of any nature, including, but not limited to administrative proceedings or any actions of any nature involving the FACILITIES or CAROLINA, any pending or threatened actions or proceedings before the South Carolina Public Service Commission, any pending or threatened actions or proceedings before the South Carolina Department of Health and Environmental Control, or any other governmental agency involving the FACILITIES or CAROLINA.

(d) There are no contracts or obligations of a material nature relating to the FACILITIES or CAROLINA and any other party.

(e) No representation or warranty by CAROLINA in this Agreement or any statement or certificate furnished or to be furnished to the COUNTY pursuant hereto contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained thereon or therein not misleading.

(f) The execution, delivery and performance of the Agreement by CAROLINA and the consummation of the transaction contemplated hereby have been duly authorized by all requisite corporate actions as required under applicable law and no

further authorization will be necessary on the part of CAROLINA for the execution, delivery, performance or consummation of this Agreement. CAROLINA has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby by CAROLINA will not, with or without the giving of any notice and/or the passage of time, violate any provision of law applicable to CAROLINA. No approval of any governmental authority or administrative agency is necessary to authorize the execution of this Agreement or the consummation of the transactions contemplated hereby, save and except any consent or authorization by the South Carolina Public Service Commission and/or the South Carolina Department of Health and Environmental Control. This Agreement is a valid and binding Agreement upon CAROLINA, enforceable in accordance with its terms.

(g) To the best of CAROLINA's knowledge, it has good and marketable title to the FACILITIES free and clear of any third-party claims. The FACILITIES are free and clear of any encumbrances, liens, and/or security agreements, and there is no outstanding indebtedness to any third-party which encumbers the FACILITIES or in any manner constitutes a lien against the FACILITIES.

(h) CAROLINA warrants that through the date of this Agreement, as well as through the date of Closing, it has and will operate the FACILITIES in a routine manner and to the best of its ability.

(i) The consummation of this Agreement will not render CAROLINA insolvent.

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a first name followed by a last name, though the specific characters are not legible.

(j) There are no judgments, liens, actions, mortgages, encumbrances, or proceedings pending or threatened against CAROLINA or the FACILITIES.

(k) To the best of CAROLINA's knowledge and in all material respects, it is not in default under any commitments, contracts, agreements, leases, or other documents, to which it is a party, and no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute an event of default thereunder.

(l) To the best of CAROLINA's knowledge, the list of residential equivalent customers with their current addresses which is attached hereto and incorporated herein by reference as **EXHIBIT A** is true and complete. CAROLINA agrees to separately identify to COUNTY any customer listed thereon who is presently more than thirty (30) days delinquent; provided, however, that at and the date of closing as provided for hereinbelow, any delinquent accounts shall be the sole property and responsibility of CAROLINA.

(m) To the best of CAROLINA's knowledge, it has filed all business related tax documents required to be filed as of the Closing date and has paid any amounts due thereunder, including, without limitation, sales, labor, taxes, business or license fees required by any local, state, or federal law, and all tax obligations in connection therewith, due as of the Closing date have been paid in full.

(n) To the best of CAROLINA's knowledge, it has complied with all laws, rules, and regulations related to the operation of the FACILITIES. To the extent necessary to give effect to the transfer contemplated herein, and allowable and permissible by law, CAROLINA will assign to the COUNTY any permits, licenses, or

authorizations issued by any local, state, or federal authority, for use until such time as the COUNTY may obtain any necessary approvals to operate the FACILITIES itself.

SECTION FOUR

REPRESENTATIONS AND WARRANTIES OF THE COUNTY

4.1 The COUNTY hereby represents and warrants to CAROLINA that:

(a) The COUNTY is a body politic and corporate and a political subdivision of the State of South Carolina. As of the date of the execution of this Agreement and continuing through Closing, there are no pending, or to the knowledge of the COUNTY, threatened actions at law or suits in equity of any nature involving this Agreement or the transactions contemplated herein.

(b) No representation or warranty by the COUNTY in this Agreement or any statement or certificate to be furnished by the COUNTY pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

(c) Upon conveyance and acceptance of the FACILITIES, the COUNTY will become the sole owner thereof and will assume all responsibility for the operation and maintenance of the FACILITIES.

(d) The COUNTY has all requisite power and authority to operate the FACILITIES and to carry on their operation as now being conducted.

(e) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by the COUNTY will not, with or without the giving of notice and/or the passage of time, violate any provision of law applicable to the COUNTY. No approval of any governmental authority or

administrative agency is necessary to authorize the execution of this Agreement by the COUNTY or the consummation of the transactions contemplated hereby, save and except any consent or authorization required by the South Carolina Public Service Commission and/or the South Carolina Department of Health and Environmental Control. This Agreement is a valid and binding Agreement of the COUNTY and enforceable in accordance with its terms.

(f) The COUNTY shall obtain approval from all necessary governmental entities or administrative agencies as necessary to authorize the COUNTY to operate the FACILITIES.

SECTION FIVE

CLOSING AND PURCHASE

5.1 The Closing referred to herein shall take place on or before the sixtieth day after the execution of this Agreement by both the COUNTY and CAROLINA, or within ten days after all approvals required under this Agreement have been obtained, whichever is later; provided, however, that should the day set for closing fall upon a weekend or a legal holiday, the Closing shall take place on the first business day following such weekend or holiday at the offices of Chellis & Frampton, P.A., located in Summerville, South Carolina, or at such other place, and at such time, as the COUNTY and CAROLINA may agree.

5.2 CAROLINA will transfer the FACILITIES to the COUNTY free from all liens and encumbrances.

5.3 At the Closing, CAROLINA will, upon due performance by the COUNTY of its obligations under this Agreement, deliver to the COUNTY:

(a) Such good and sufficient bills of sale, deeds, assignments, and other sufficient instruments of sale, transfer and conveyance, in form and substance reasonably satisfactory to the COUNTY's counsel, as shall be required to vest in the COUNTY of all CAROLINA's right, title, and interest in the FACILITIES.

(b) Any files, documents, agreements, books of account, and customer lists and records pertaining to the sewage collection system and wastewater treatment facilities and potable water system as conducted by CAROLINA in the King's Grant, Plantation Ridge, and Teal on the Ashley Subdivisions.

(c) An opinion of counsel for CAROLINA, dated the date of Closing, in form and substance reasonably satisfactory to the COUNTY, certifying the following:

(i) CAROLINA is duly organized and existing corporation under the laws of the State of Delaware, and is authorized to do business and is in good standing in the State of South Carolina.

(ii) That CAROLINA has the capacity and power to execute the bills of sale, deeds, assignments, and all other instruments of transfer set out in this Agreement.

(iii) That CAROLINA has taken all necessary actions to authorize the execution and delivery of the bills of sale, deeds, assignments, and all other instruments of transfer set out in this Agreement and that the officers signing the instruments are duly authorized to do so.

5.4 At the Closing, the COUNTY will, upon due performance by CAROLINA of its obligations under this Agreement, deliver to CAROLINA:

(a) The Purchase Price for the FACILITIES.

- (b) A copy of the Council minutes approving this Agreement.
- (c) An opinion of counsel for the COUNTY, dated the date of Closing, in form and substance reasonably satisfactory to CAROLINA, to the effect that this Agreement has been duly authorized by all necessary action on behalf of the COUNTY and constitutes the valid agreement of the COUNTY, enforceable in accordance with its terms.

SECTION SIX

CONDITIONS TO CLOSING

6.1 Conditions to the COUNTY's obligations:

- (a) At the Closing, the FACILITIES will be in good working condition, ordinary wear and tear excepted. The FACILITIES shall be transferred on an "as-is", "where-is" basis, with no warranties attaching to same other than those expressly created by this Agreement and such original manufacturers warranties as and to the extent they are in effect and are capable of transfer.
- (b) CAROLINA will have performed all of the obligations to be performed by it under this Agreement.
- (c) The representations and warranties of CAROLINA contained in this Agreement shall be true and correct in all material respects as though made on the date thereof.
- (d) The South Carolina Department of Health and Environmental Control (DHEC) will have been notified of the transfer.
- (e) If required, the South Carolina Public Service Commission will have authorized the transfer of the FACILITIES from and approved the same.

6.2 Conditions to CAROLINA's obligations:

(a) At or prior to the Closing, the COUNTY will have satisfied and performed all obligations to be performed by it under this Agreement.

(b) The representations and warranties made by the COUNTY in this Agreement will be true and correct in all material respects as if made on the date hereof.

(d) The South Carolina Department of Health and Environmental Control will have been notified of the transfer.

(e) If required, the South Carolina Public Service Commission will have authorized the transfer of the FACILITIES and approved the same.

SECTION SEVEN

TERMINATION

7.1 This Agreement may be terminated at any time prior to closing:

(a) by the mutual agreement of the COUNTY and CAROLINA; or

(b) By the COUNTY or by CAROLINA, on account of the material breach of any representation or warranty of the other party, or the other party's failure to perform any agreement with respect to matters represented, warranted, or agreed to by such party in this Agreement.

SECTION EIGHT

MISCELLANEOUS

8.1 **Notification to the South Carolina Department of Health and Environmental Control And the South Carolina Public Service Commission.** CAROLINA and the COUNTY will cooperate fully to obtain any required consent and authorization from the

South Carolina Department of Health and Environmental Control for the transfer of the FACILITIES to the COUNTY and it shall be COUNTY'S responsibility to obtain any approval required by that agency. CAROLINA and the COUNTY will cooperate fully to obtain any required consent and authorization from the South Carolina Public Service Commission for the transfer of the FACILITIES from CAROLINA to the COUNTY and it shall be CAROLINA'S responsibility to obtain any approval required by that agency.

8.2 **Service.** Sewer service and water service will be rendered by the COUNTY to all customers of the FACILITIES after Closing in accordance with the COUNTY's rates, rules, regulations, and conditions of service as may exist at the time of Closing or as may be in effect thereafter.

8.3 **Taxes and Closing Costs.**

(a) All real and personal property taxes for the year 2005 and previous years on the assets of CAROLINA being transferred to the COUNTY pursuant to this Agreement if not already paid shall be paid by CAROLINA, as well as all taxes of any nature on any asset to be transferred pursuant to this Agreement which may be payable or become payable to the South Carolina Department of Revenue or the Federal Government. Because the COUNTY is exempt from ad valorem property taxes, there will be no proration of same.

(b) CAROLINA will be responsible for paying the cost of deed preparation and no other closing costs. The COUNTY will be responsible for paying all other closing costs. The parties agree that no real property transfer tax will be assessable in connection with this transaction in view of the exemption provided for transfers to political subdivisions under S.C. Code Ann. § 12-24-40 and that an affidavit to that

effect will be submitted to the Register of Deeds by counsel for the COUNTY. The COUNTY and CAROLINA will be solely responsible for their respective attorney's fees.

8.4 **Exhibits.** The Exhibits to this Agreement are a part hereof and are hereby incorporated in full by reference.

8.5 **Survival.** The representations, warranties, and agreements contained in this Agreement shall survive, and continue in effect after Closing. CAROLINA agrees to indemnify the COUNTY, its successors and assigns, and to hold it harmless against any loss, damage, liability, expense, or cost accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of CAROLINA under this Agreement or from any misrepresentation in or material omission from any certificate or other document furnished or to be furnished by CAROLINA to the COUNTY. Likewise, the COUNTY agrees to indemnify the COUNTY, its successors and assigns, and hold it harmless against any loss, damage, liability, expense, or cost accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of CAROLINA under this Agreement or from any misrepresentation or material omission from any certificate or other document furnished or to be furnished to CAROLINA by the COUNTY.

8.6 **Force Majeure.** No party to this Agreement shall be liable to the other party for failure, default, or delay in performing any of its obligations hereunder, if such failure, default, or delay is caused by strikes or other labor problems, by force of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, passage of laws, orders of courts, adoption of rules, ordinances, acts, failure to act, decisions or orders or regulations of any governmental or military agency, office or

commission, delays in receipt of materials, or any other cause, whether similar or dissimilar in nature, not within the control of the party affected and which, by the exercise of due diligence, such party is unable to prevent or overcome.

8.7 **Assignment.** Neither this Agreement nor any right hereunder may be assigned without the prior written consent of the other party, which shall not be unreasonably withheld. Subject to this condition, this Agreement and all provisions hereof shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

8.8 **Severability.** This Agreement shall be binding upon all parties hereto, and the invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.9 **Notices.** Any notice or delivery required to be made hereunder may be made by mailing a copy thereof addressed to the appropriate party as follows:

If to CAROLINA: Lawrence N. Schumacher
President
Utilities, Inc.
2335 Sanders Road
Northbrook, Illinois 60062

If to the COUNTY: DORCHESTER COUNTY ADMINISTRATOR
201 JOHNSTON STREET
ST. GEORGE, SC 29477

Delivery, when made by registered or certified mail, shall be deemed complete upon mailing.

8.10 **Entire Agreement.** This Agreement and the Exhibits hereto constitute the entire understanding between the parties with respect to the subject matter hereof and supersede all negotiations, prior discussions, and preliminary agreements.

8.11 **Governing Law.** This Agreement shall be governed by the laws of the State of South Carolina.

8.12 **Counterparts.** This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed original, but all such counterparts shall together constitute the Agreement.

[THIS SPACE INTENTIONALLY LEFT BLANK]

2nd

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their duly authorized officer, all on the day and year first hereinabove written.

WITNESSES:

As to the COUNTY


DORCHESTER COUNTY (SEAL)

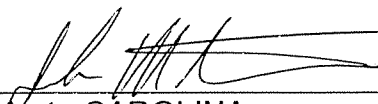
Dorchester County Administrator

Date: _____


ATTEST: _____
Sandy Lawley, Clerk to Council

WITNESSES:




As to CAROLINA

CAROLINA WATER SERVICE, INC.


By: LAWRENCE N. SEFTUMACHER
Its: PRESIDENT

Date: _____

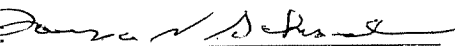
ATTEST: 
Secretary

EXHIBIT A

Customer List Summary

As of June 21, 2006, Carolina Water Service, Inc. served seven hundred seventy nine (779) residential customer equivalents located in the King's Grant Subdivision, Plantation Ridge Subdivision and Teal on the Ashley Subdivision. One hundred twenty-six accounts are more than thirty (30) days delinquent with the total delinquent amount as of June 21, 2006, being \$13,042.39.

EXHIBIT B

The Sanitary Sewer Collection and Transmission System and all property used for the collection and transmission of wastewater serving the subdivisions known as King's Grant, Plantation Ridge and Teal on the Ashley, Dorchester County, South Carolina, and the potable water distribution system and all property used for the distribution of potable water serving the subdivision known as Teal on the Ashley, Dorchester County, South Carolina, including all force mains, pump stations, oxidation ponds, collection lines, distribution lines, interceptor lines, outfall lines, gravity lines and mains; all mains and lateral lines on the properties within the confines and exterior boundaries of the aforementioned subdivisions; manholes and connecting lines, hydrants, wells, storage tanks, valves, ties and adaptors; pumps, pumping stations, sites therefore and connecting lines; lift stations, sites therefore and connecting lines; all accessories and appurtenant fixtures to service lines and service equipment; title in and to all permanent and transmissible easements for constructing and maintaining lines; all easements, leases, permits, contract rights and/or rights-of way for service lines, connections and equipment located in or connecting to the aforementioned subdivisions, all apparatus; equipment and maintenance supplies and all other property, equipment rights and privileges as are a part of the said systems, as well as all real estate and transmissible easements as more fully described in the following deeds to CAROLINA, to wit: Deed from Anco Utilities, Inc., recorded in Book 313 at Page 201 in the Register of Deeds Office for Dorchester County and Deed from Oliver Enterprises of Charleston, Inc., to Charleston Water and Sewer Corp., recorded in Book 316 at Page 340 in the Register of Deeds Office for Dorchester County.

It being the intention of CAROLINA to transfer all of its interest in the sewer collection and transmission systems which presently operate in and serve the King's Grant, Plantation Ridge, and Teal on the Ashley Subdivisions, including all customers thereof as well as all of its interest in the potable water distribution system which presently operates in and serves Teal on the Ashley subdivision including all customers thereof.

EXHIBIT C

Pending or Threatened Actions

None. The County acknowledges that longstanding administrative proceedings by DHEC pertaining to upgrades to or elimination of Carolina's wastewater treatment facilities in Dorchester County do not constitute pending or threatened actions for purposes of this Agreement

A handwritten signature in the bottom right corner of the page, appearing to be "JMS".

Exhibit "B"
Current Dorchester County Water and Sewer Rates

Section 601. Monthly water billing shall be based upon the following charges:

(a) Monthly Usage, based upon meter readings:

<u>Gallons Used</u>	<u>Charge</u>
0-3000	\$15.75 (min charge)
3001-7000 (per thousand gallons)	\$2.45
All over 7,001 (per thousand gallons)	\$2.70

(b) SCDHEC Fee \$0.50/month

(Section 601 amended 11/19/01 - Amendment #01-13)

(Section 601 amended 3/21/94 - Amendment #94-04)

Section 602. Minimum Monthly Charges shall be based upon:

<u>Meter Size</u>	<u>Minimum Charge</u>
3/4"	\$15.75*
1"	\$ 26.00
1-1/4"	\$ 36.00
1-1/2"	\$ 46.00
2"	\$ 72.00
3"	\$117.00
4"	\$170.00
6"	\$245.00

Section 508. Sewer Service charges shall be based upon the following rates:

- (a) Residential Flat Rate:
- | | | |
|-----|---------|----------|
| (1) | Monthly | \$ 28.42 |
|-----|---------|----------|
- (b) Metered, Commercial:
- | | | | |
|-----|---------------|--------------------------|----------|
| (1) | Monthly Base: | 0 - 7,000 gallons | \$ 28.42 |
| (2) | 7,001+ | (cost per 1,000 gallons) | 3.48 |
- (c) Metered, Industrial:
- | | | | |
|-----|---------------|--------------------------|----------|
| (1) | Monthly Base: | 0 - 7,000 gallons | \$ 28.42 |
| (2) | 7,001+ | (cost per 1,000 gallons) | 3.48 |

(d) Wholesale Rate for Other Utilities:

Cost per thousand gallons will be calculated based on the following:

- (1) Transportation Cost
- (2) Treatment Cost
- (3) Percentage of Volume Treated at Wastewater Plant.

Exhibit "C"

Comparison of Average Monthly Water Charges and Monthly Sewer Charges Kings Grant Subdivision, Plantation Ridge Subdivision and Teal on the Ashley Subdivision (Residential)

WATER (Teal on the Ashley only)

(assumes 6,000 GPM average usage)

Carolina Water Service, Inc.

Dorchester County

Base Facilities Charge	\$10.25	Minimum Charge (includes 3,000 gallons)	\$15.75
Commodity Charge	\$3.32 per 1,000 gallons	next 3,001 - 7,000 gallons	\$2.45 per 1,000 gallons
Average Total Monthly Water Charge	\$30.17		\$23.10

SEWER (Kings Grant, Plantation Ridge and Teal on the Ashley)

Carolina Water Service, Inc.

Dorchester County

Monthly Charge	\$36.46	Monthly Charge	\$28.42
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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2006-171-WS

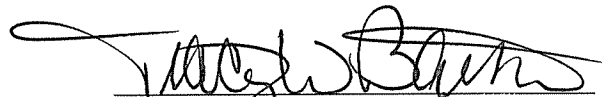
In Re:)
)
Application of Carolina Water)
Service, Inc. for Approval of the)
Transfer of its Water and Sewer)
Systems and Territory Serving the)
Kings Grant, Plantation Ridge,)
and Teal on the Ashley)
Subdivisions in Dorchester)
County to the County of Dorchester)
_____)

CERTIFICATE OF SERVICE

FILED
2006 JUN 29 PM 4:10
SOUTH CAROLINA
COMMISSION

This is to certify that I have caused to be served this day one (1) copy of the Application by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Honorable C. Dukes Scott
Executive Director
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211


Tracy W. Barnes

Columbia, South Carolina
This 29th day of June, 2006.